

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 USIA-06 PRS-01 SP-02 OMB-01
AGR-05 FEA-01 /113 R

DRAFTED BY TREASURY:EBARBER:JVM
APPROVED BY EB/OT/TA:DJ DUNFORD
STR:BWILSON
COMMERCE:LFITZGERALD
EXIM BANK:DCHENEY
LABOR:WRENISON
TREASURY:CDALLARA
EB/IFD/OMA:BCROWE
EUR/RPE:ECASEY
EA/J:DSMITH

-----141035Z 130530 /23

P R 131958Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY BERN PRIORITY
AMEMBASSY OTTAWA PRIORITY
AMEMBASSY STOCKHOLM PRIORITY
AMEMBASSY TOKYO PRIORITY
INFO AMEMBASSY HELSINKI
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION GENEVA
USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJECT:GATT WORKING PARTY ON EXPORT INFLATION INSURANCE,

MAY 16

REFS: (A) GENEVA 3027, (B) STATE 52741

1. REF A REPORTS THAT EC HAS PROPOSED EXCHANGE RATE INSURANCE BE ADDED TO AGENDA OF WORKING PARTY. WASHINGTON NOW IS PREPARING CABLE FOR GENEVA AGREEING WITH MISSION (PARA. 3, REF A.) THAT EC RATIONALE IS WEAK AND PROVIDING CONTINGENCY INSTRUCTIONS.

2. PENDING TRANSMITTAL OF THOSE INSTRUCTIONS, ACTION ADDRESSEES ARE REQUESTED TO CONTACT HOST GOVERNMENT OFFICIALS AT APPROPRIATE LEVEL TO PRESENT U.S. POINT OF VIEW. OUR OBJECTIVE IS TO PERSUADE THEM THAT EXCHANGE RISK INSURANCE IS OUTSIDE THE TERMS OF WORKING PARTY'S MANDATE, AND TO SO INSTRUCT THEIR DELS BEFORE MAY 16. ACTION ADDRESSEES SHOULD DRAW ON ARGUMENTATION CONTAINED PARA. 3 REF B. AND BELOW IN MAKING THIS APPROACH.

3. (A) EXCHANGE RISK SCHEMES ARE GENERALLY DESIGNED TO PROTECT EXPORTERS FROM APPRECIATION OF HOME COUNTRY CURRENCY, ALTHOUGH FRENCH SYSTEM ALSO APPLIES TO IMPORTS DEEMED NECESSARY INPUTS FOR EXPORTS. THUS A SWISS EXPORTER WHOSE CONTRACT SPECIFIES PAYMENT IN ITALIAN LIRA IS PROTECTED AGAINST APPRECIATION OF THE SWISS FRANC; A FRENCH IMPORTER OF INPUTS FOR SUBSEQUENT EXPORTS WILL BE PROTECTED AGAINST DEPRECIATION OF THE FRENCH FRANC, FOR CONTRACTS DENOMINATED IN OTHER CURRENCIES.

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-- BUT EXCHANGE RATES MOVE IN RESPONSE TO MANY VARIABLES, OF WHICH INFLATION IS ONLY ONE.

-- IN ANY CASE, NO NECESSARY CORRELATION CAN BE DRAWN BETWEEN COST INFLATION FOR A PARTICULAR INDUSTRY AND THE DIRECTION OR SIZE OF EXCHANGE RATE MOVEMENTS.

-- OTHER THINGS BEING EQUAL, A GENERAL INFLATION RATE IN THE EXPORTING COUNTRY HIGHER THAN INFLATION RATES IN ITS MAIN TRADING PARTNERS WILL TEND TO LEAD TO A DEPRECIATION OF THE EXPORTING COUNTRY'S CURRENCY, NOT RPT NOT AN APPRECIATION.

(B) THUS THERE IS NO VALIDITY TO THE ARGUMENT THAT EXCHANGE RISK SCHEMES ARE DESIGNED TO MITIGATE THE EFFECTS OF COST INFLATION. THEY CONSEQUENTLY FALL OUTSIDE THE WP'S FRAME OF REFERENCE, WHICH IS CONFINED TO THOSE PROGRAMS WHICH QTE ATTENUATE OR COMPENSATE FOR EFFECTS

OF COST INFLATION. UNQTE. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, MEETING AGENDA, COMMITTEE MEETINGS, EXPORT INSURANCE
Control Number: n/a
Copy: SINGLE
Sent Date: 13-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: EBARBER:JVM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770170-0996
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770560/aaaabzcf.tel
Line Count: 117
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Original Previous Classification: n/a
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Review Content Flags:
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